

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 COME-00 EB-11 LAB-06 SIL-01

OMB-01 TRSE-00 DRC-01 /149 W  
----- 029826

R 211908Z SEP 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4171

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

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E.O. 11652: N/A

TAGS: ELAB, SOCI, UK

SUBJECT: GOVERNMENT-TUC ECONOMIC TALKS FAIL

1. BEGIN SUMMARY: THE BRITISH TUC AND THE GOVERNMENT  
REMAINED SHARPLY DIVIDED ON HOW TO DEAL WITH THE  
ECONOMY AND PHASE III AT THE CONCLUSION OF FURTHER  
TALKS ON SEPT. 20TH BETWEEN TUC LEADERS AND GOVERNMENT  
MINISTERS. EARLIER GOVERNMENT REPORTS ANNOUNCING A  
SHARP DROP IN UNEMPLOYMENT AND A STEEP RISE IN  
INDUSTRIAL WAGES AND EARNINGS IN AUGUST DID NOT MITIGATE  
THE TUC-GOVERNMENT IMPASSE. END SUMMARY.

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2. THE PRIME MINISTER IN OPENING THE TALKS, REITERATED THE COUNTRY'S LONG TERM ECONOMIC PROBLEM OF HOW TO OBTAIN A MORE FLEXIBLE INDUSTRIAL SYSTEM THAN IN PHASE II WHILE HOLDING BACK INFLATION AND MAINTAINING GROWTH.

3. THE TUC DELEGATION, LED BY ITS NEW GENERAL SECRETARY LEN MURRAY, SUPPORTED THE PRIME MINISTER'S GOAL BUT SHARPLY DIFFERED ON METHODS TO ACHIEVE IT. MURRAY SAID THAT THE BEST WAY TO DEAL WITH PROBLEMS OF WAGES AND PRODUCTIVITY WAS BY RETURN TO FREE COLLECTIVE BARGAINING.

4. THE TUC AGAIN CALLED FOR STATUTORY CONTROL OF PRICES. MURRAY CHARACTERIZED THE GOVERNMENT'S ORDER TO THE PRICE COMMISSION TO SCRUTINIZE FRESH FOOD PRICES AS A "WORTH-LESS ACADEMIC" EXERCISE WITHOUT REAL FORCE.

5. THE TUC ALSO ATTACKED A RECENT REPORT OF THE PAY BOARD CONCERNING WAGE INEQUITIES (ANOMALIES) UNDER PHASE II FOR WORKERS WHO SUFFERED AS A RESULT OF THE SUDDEN IMPOSITION OF A WAGE FREEZE LAST NOVEMBER. (THE PAY BOARD RECOMMENDED SPECIAL PAY INCREASES UNDER PHASE III COSTING UP TO 146 MILLION POUNDS, COVERING 1-1/4 MILLION WORKERS. THE BOARD SPECIFICALLY RECOMMENDED INCREASES FOR CIVIL SERVANTS. IT ALSO LAY DOWN CRITERIA WHICH WOULD RESULT IN SMALLER INCREASES FOR WORKERS IN HOSPITALS, GAS AND WATER SUPPLY, BUT IT APPEARED TO EXCLUDE CERTAIN GROUPS SUCH AS POST OFFICE WORKERS AND TEACHERS.) MURRAY CHARGED THAT THE PAY BOARD PROPOSALS SIMPLY COMPOUNDED PROBLEMS AND LED TO FURTHER GRIEVANCES AMONG THE WORKERS CONCERNED WHO FEEL UNFAIRLY TREATED OR COMPLETELY IGNORED BY THE BOARD. HE SAID THAT THE REAL ANSWER TO THE PROBLEM LAY IN RETURN TO FREE, COLLECTIVE BARGAINING.

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FM AMEMBASSY LONDON  
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AMEMBASSY THE HAGUE  
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6. THE MEETING WAS RELATIVELY BRIEF BUT TALKS WILL CONTINUE NEXT THURSDAY. THE GOVERNMENT HAS NOT RESPONDED TO THE TUC'S DEMANDS FOR INTRODUCTION OF COLLECTIVE (FREE) BARGAINING, STATUTORY CONTROL OVER RENTS AND PRICES, AND OTHER MEASURES. THUS FAR, THE GOVERNMENT HAS NOT INDICATED WHAT IT PLANS TO DO ON PHASE III OF THE RESTRAINT POLICY, BUT IN A PRESS CONFERENCE AFTER THE MEETINGS, MURRAY MADE IT CLEAR THE TUC WAS AGAINST PHASE III AS CURRENTLY ENVISAGED AND THAT A LAW ON INCOMES POLICY WAS "COUNTER-PRODUCTIVE."

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7. IN THE MEANWHILE, A DEPARTMENT OF EMPLOYMENT ANNOUNCEMENT REPORTS THE NUMBER OF UNEMPLOYED DROPPED BY 25,309 TO 545,432, INCLUDING THOSE TEMPORARILY OUT OF WORK (2.4 PERCENT OF THE LABOR FORCE -- WITH NORTHERN IRELAND THE FIGURE IS 577,968 OR 2.5 OERCENT) BETWEEN MID-AUGUST AND MID-SEPTEMBER. THE DEPARTMENT OF EMPLOYMENT NOTED THAT THE NUMBER OF UNEMPLOYED NOW WAS THE LOWEST SINCE JUNE 1970. ANOTHER REPORT BY THE DEPARTMENT OF EMPLOYMENT INDICATED A SHARP RISE IN INDUSTRIAL WAGE RATES AND EARNINGS. THE DEPARTMENT OF EMPLOYMENT'S INDICES, FOR EXAMPLE, NOTE A 15.9 PERCENT INCREASE IN AVERAGE WEEKLY EARNINGS SEASONALLY ADJUSTED IN THE TWELVE MONTH PERIOD TO JULY 1973.

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**Subject:** GOVERNMENT-TUC ECONOMIC TALKS FAIL  
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**To:** STATE  
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